

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2004-141-E – ORDER NO. 2007-578

AUGUST 23, 2007

IN RE: Application of Duke Energy Carolinas, LLC)	ORDER AUTHORIZING
For Authorization Under Article 13, Chapter)	LONG TERM
27 Of Title 58 Of The Code Of Laws Of)	BORROWING UNDER
South Carolina, (1976, As Amended), To)	REVOLVING CREDIT
Enter Into And Borrow Under Long-Term)	FACILITY
Revolving Credit Facility)	

This matter comes before the Public Service Commission of South Carolina, (“Commission”) from Duke Energy Carolinas, LLC, (“Duke Energy Carolinas” or “Company”) for the approval of an Application requesting an Order Authorizing Long Term Borrowing Under Revolving Credit Facility, (“Application”). Duke Energy Carolina’s Application was filed with this Commission on July 3, 2007, with reference to this Commission’s earlier Orders in the above Docket, namely Order Numbers 2004-277, 2005-349 and 2006-408 dated June 7, 2004, June 28, 2005, and July 26, 2006 respectively, (“Orders issued in this Docket”).

This Commission was informed that, pursuant to the Orders issued in this Docket, Duke Energy Carolinas, on June 28, 2007, amended, restated, and combined the 2004 Facility, along with other short-term borrowing arrangements of the Company, with the various credit facilities of its parent, Duke Energy Corporation, and its utility affiliates,

Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc., to form a \$2,650,000,000 master credit facility, (hereinafter, the “Master Facility”).

The Company’s Application states that the Company and each of the above-named affiliates have a borrowing sublimit under the Master Facility. The amount of the Company’s initial borrowing sublimit under the Master Facility is \$800,000,000, which may be increased at the Company’s election to a maximum borrowing sublimit of \$1,200,000,000. The maturity date of the Master Facility is June 30, 2012, subject to a one-year “term-out” provision beyond the maturity date, which allows the Company to borrow funds immediately before the maturity date for a term of up to one year.

Any obligation incurred by any one borrower under the Master Facility will be independent of, and non-recourse to, the other borrowers under the Master Facility.

Duke Energy Carolinas’ Application explains that the Company’s affiliate, Cinergy Corp., has used the Master Facility structure, with available credit to the parent holding company and its utility subsidiaries, in recent years. This structure provides for a simple, efficient, and cost-effective overall bank financing program for Duke Energy Corporation, while maintaining independent borrowing capacity and credit protection for its utility subsidiaries.

Duke Energy Carolinas’ Application makes reference to the Summary of Terms and Conditions (hereinafter the “Term Sheet”) which is attached as Exhibit “A” to the Application. The Term Sheet contains further details on the terms and conditions of the Master Facility and the Company’s participation therein. As described in the Term Sheet

under the caption “Maturity Date,” for each borrower under the Master Facility other than Duke Energy Corporation, any borrowing under the Master Facility must be repaid within 365 days of the date of such borrowing unless the borrower designates such borrowing as “long-term,” in which case the borrowing may remain outstanding for up to the maturity date of the Master Facility. Our review indicates that this provision of the Master Facility will cause all obligations of the Company to have a maturity of one year or less, absent the long-term designation described above, therefore the Company is requesting only the Commission’s authorization to incur “long-term” borrowings under the Master Facility if the Company elects to do so during the term of the Master Facility.

This Commission acknowledges that its approval is not required for short-term borrowings under the Master Facility, nor for sales of commercial paper backed by the Master Facility, consistent with past practice.

Duke Energy Carolinas’ Application explains that, except with respect to the long-term borrowing feature described above, the credit availability amount and the maturity date extension to June 30, 2012, the terms and conditions of the Master Facility with respect to the Company are identical to those of the 2004 Facility in all material respects. Also, the description of the Master Facility in the Application is qualified by reference to the more complete description in the Term Sheet.

The Company states that it will pay its *pro rata* share of certain fees, including attorneys’ fees related to the documentation of the Master Facility, and a Facility Fee as described in the Term Sheet. The Company’s Application discloses that such fee is the result of arm’s length negotiations with the lenders under the Master Facility, is

comparable to fees payable in similar transactions in the marketplace, and is lower than the Facility Fee paid on the 2004 Facility. Also, that the Company is required to pay its *pro rata* share of certain administrative fees based upon arm's length negotiations with the administrative agent and joint arrangers under the Master Facility, consisting of a one-time arrangement fee of not more than \$400,000, and an initial annual administrative fee of \$20,000. The Company also states that it paid its *pro rata* share of an "upfront" fee to the lenders under the Master Facility, under a mechanism further described in Exhibit "B" to Duke Energy Carolinas' Application.

The Company's Application represents that in addition to simplifying its borrowing program and extending the maturity date of its bank borrowing capability, the Company's entry into the Master Facility will result in lower borrowing costs to the Company. Proceeds from sales of commercial paper backed by the Master Facility, and from borrowings under the Master Facility, will continue to be used as stated in the Orders issued in this Docket. Duke Energy Carolinas' Application states that the purposes of the Master Facility with respect to Duke Energy Carolinas, including any long-term borrowings it may incur thereunder, and its compatibility with the public interests, are all the same as stated in the Application with respect to the 2004 Facility.

Duke Energy Carolinas' Application requested that this Commission's Order, when issued, state that the Commission's original Orders issued in this Docket will stay in full force and effect, as it relates to the use of proceeds of borrowings and commercial paper sales, and for reporting requirements for borrowings.

Duke Energy Carolinas informed this Commission that it served its Application on the South Carolina Office of Regulatory Staff, (“ORS”). Also, ORS informed this Commission by correspondence dated, July 23, 2007, that, “...ORS has no objection to the extension and restatement of the Credit Facility.”

FINDINGS OF FACT

1. Relevant Commission Orders were issued in the above Docket, namely Order Numbers 2004-277, 2005-349 and 2006-408, dated June 7, 2004, June 28, 2005, and July 26, 2006 respectively.
2. Specifically, Order No. 2006-408, also issued in this Docket, extended the maturity date of the Facility until June 30, 2011.
3. On June 28, 2007, the Company amended, restated, and combined the 2004 Facility, along with other short-term borrowing arrangements of the Company, with the various credit facilities of its parent, Duke Energy Corporation, and its utility affiliates, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc., to form a \$2,650,000,000 master credit facility, the Master Facility. The Company and each of the above-named affiliates have a borrowing sublimit under the Master Facility. The amount of the Company’s initial borrowing sublimit under the Master Facility is \$800,000,000, which may be increased at the Company’s election to a maximum borrowing sublimit of \$1,200,000,000.
4. The maturity date of the Master Facility is June 30, 2012, subject to a one-year “term-out” provision beyond the maturity date, which allows the Company to borrow funds immediately before the maturity date for a term of up to one year.

5. The Company's affiliate, Cinergy Corp., has used the Master Facility structure, with available credit to the parent holding company and its utility subsidiaries, in recent years. This structure provides for a simple, efficient and cost-effective overall bank financing program for Duke Energy Corporation, while maintaining independent borrowing capacity and credit protection for its utility subsidiaries.

6. Any obligation incurred by any one borrower under the Master Facility will be independent of, and non-recourse to, the other borrowers under the Master Facility.

7. The Term Sheet, which is attached as Exhibit "A" to Duke Energy Carolinas' Application, contains, *inter alia*, further details on the terms and conditions of the Master Facility and the Company's participation therein.

8. This Commission's approval is not required for short-term borrowings under the Master Facility, nor for sales of commercial paper backed by the Master Facility, consistent with past practice.

9. Except with respect to the long-term borrowing feature described above, the credit availability amount and the maturity date extension to June 30, 2012, the terms and conditions of the Master Facility with respect to the Company are identical to those of the 2004 Facility in all material respects.

10. The Company will pay its *pro rata* share of certain fees, including attorneys' fees related to the documentation of the Master Facility, and a Facility Fee as described in the Term Sheet. Such fee is the result of arm's length negotiations with the lenders under the Master Facility, is comparable to fees payable in similar transactions in

the marketplace, and is lower than the Facility Fee paid on the 2004 Facility. The Company is also required to pay its *pro rata* share of certain administrative fees based upon arm's length negotiations with the administrative agent and joint arrangers under the Master Facility, consisting of a one-time arrangement fee of not more than \$400,000, and an annual administrative fee of \$20,000. The Company also paid its *pro rata* share of an "upfront" fee to the lenders under the Master Facility.

11. In addition to simplifying its borrowing program and extending the maturity date of its bank borrowing capability, the Company's entry into the Master Facility will result in lower borrowing costs to the Company. Proceeds from sales of commercial paper backed by the Master Facility, and from borrowings under the Master Facility, will continue to be used as stated in the Orders issued in this Docket. The purposes of the Master Facility with respect to Duke Energy Carolinas, including any long-term borrowings it may incur thereunder, and its compatibility with the public interests, are all the same as stated in the Application with respect to the 2004 Facility.

12. The Commission's original Orders issued in this Docket will stay in full force and effect, as it relates to the use of proceeds of borrowings and commercial paper sales, and reporting requirements for borrowings.

13. ORS informed this Commission by correspondence dated, July 23, 2007, that, "...ORS has no objection to the extension and restatement of the Credit Facility."

CONCLUSIONS OF LAW

1. The Commission concludes that the relief sought by Duke Energy Carolinas is consistent with its previous Orders issued in this Docket.
2. The Commission concludes that the grounds stated in Duke Energy Carolina's Application are sufficient to support the relief sought by the Company.
3. The Commission concludes that the fees described in the Application are reasonable.
4. The Commission concludes that the Commission's previous Orders issued in this Docket should stay in full force and effect, except to the extent that the Order requested herein provides for long-term borrowings under a Master Facility as described in the Application.
5. The Commission concludes that the conditions of the Application are deemed reasonable.
6. The Commission concludes that the ORS does not oppose the relief sought in Duke Energy Carolinas' Application.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. The Commission concludes that the Commission's previous Orders in this Docket shall stay in full force and effect, except to the extent that the Order requested herein provides for a Master Facility as described in the Application.

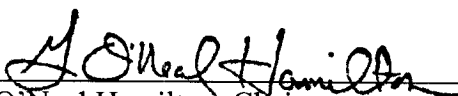
2. The maturity date of the Master Facility is extended until June 30, 2012, subject to a one-year “term-out” provision beyond the maturity date, which allows the Company to borrow funds immediately before the maturity date for a term of up to one year.

3. Duke Energy Carolinas’ taking of long-term borrowings under the amended and restated Master Facility, consisting of any borrowing with a term in excess of one year, the incurrence and repayment of indebtedness pursuant to the terms thereof, and the issuance of notes evidencing such indebtedness, all in the manner set forth in the Application, is hereby authorized and approved by this Commission.

4. This Order shall become effective upon the signature of the Chairman and counter signature of the Vice-Chairman and shall remain in full force and effect until further Order of this Commission.

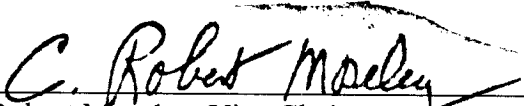
5. All references to the Facility in the previous Orders shall be deemed to refer to the amended and restated Master Facility described in this Order.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



C. Robert Moseley, Vice Chairman
(SEAL)